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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - OCTOBER 03,  
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11. The following are brief items of interest compiled by  
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##### International Relations

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#### 12. Lukashenko Discusses Union State Agenda with Borodin

On September 28, President Lukashenko met Belarusian-Russian Union State Secretary of State Pavel Borodin in Minsk to discuss the agenda of the Supreme State Council's next meeting scheduled for later this year. The talks focused on a common Belarusian-Russian currency, the Union State's legislative and executive agencies, and the Union State's draft Constitutional Act. Lukashenko and Borodin also discussed proposed reforms of the Parliamentary Assembly, Council of Ministers, and supervising agencies of the Union State. Both agreed that the latter two should remain advisory bodies. On the topic of Russian natural gas giant Gazprom's intention to raise the gas price for Belarus fourfold next year, Borodin advocated uniform gas prices. The meetings also included discussion of a project to develop the transport route from Brest to Vladivostok.

### 13. China's Ambassador Calls Belarus A Friend and Partner

On September 28, a commemoration in Minsk of the 57th anniversary of the proclamation of the People's Republic of China, Chinese Ambassador to Belarus Wu Hongbin described China and Belarus as "honest friends in the political sphere and reliable partners in the economic sphere." Wu noted that China and Belarus would soon observe their 15th anniversary of diplomatic relations and voiced support for Belarus' foreign and domestic policies. In particular, Wu praised Belarus' effort to form the Union State with Russia on the grounds that union advances "the well-being of the people in the two countries, stability in the region, and the improvement of the country's relations with European and American countries." Wu also expressed China's gratitude to Belarus for its support on the issues of Taiwan and Tibet. According to Wu, the Chinese embassy in Minsk had issued more than 2,200 visas by September, as many as in the entire previous year. On September 21, Belarus's State Control Committee and the People's Bank of China signed a memorandum of understanding on combating money laundering.

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Civil Society  
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### 14. Lukashenko to Reinforce BKGB

On September 28, while speaking to security service heads of the Commonwealth of Independent States (CIS), President Lukashenko announced his intentions to reinforce the BKGB. According to Lukashenko, powerful security agencies are necessary to ensure the security of any state, even a nuclear power. Lukashenko pledged increased support for the BKGB and called upon the agency to develop a robust action plan.

### 15. BPF Not Permitted to Hold Rallies Featuring Milinkevich

On September 28, the Executive Committee of the northeastern region

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of Vitebsk denied local opposition Belarusian Popular Front (BPF) activists permission to hold a rally featuring former opposition presidential candidate Aleksandr Milinkevich on September 29. According to Vitebsk BPF Chairman Konstantin Smolikov, the Regional Executive Committee's ideological department denied permission on the grounds that written authorization from the BPF Board was not attached to the application. Smolikov's legal counsel described the requirement as both unprecedented and illegal. Authorities also denied BPF activists in the eastern city of Orsha permission to hold a rally in which Mr. Milinkevich would have participated on September 30.

### 16. Lukashenko Creates New Socio-Political Think Tank

On September 25, President Lukashenko issued a presidential edict transforming the Presidential Administration's Institute of Social and Political Studies (ISPS) into an Information and Analytical Center. According to the edict, ISPS' new purpose will be to study "the electoral preferences of the population during electoral and other public and political campaigns, conducting systematic monitoring of the mass media, and studying ways of improving ideological work." President Lukashenko himself will appoint the head of the center, which will have 76 staff members.

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Trade and Investment  
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### 17. Belarus' Foreign Trade Exceeds USD 25 Billion

On September 23, the National Bank of Belarus reported that Belarus' foreign trade in goods and services in the first seven months amounted to USD 25 billion, a rise of 31.9 percent over the same period in 2005. The export of goods increased by 26.6 percent to USD 11 billion, and imported goods rose by 40.8 percent to USD 12 billion. The export of services totaled USD 1.2 billion, an

increase of 10.3 percent, as imports rose 16 percent to USD 777 million. GOB analysts attribute the high import surplus to a 31.3 percent decrease in the export of potash fertilizers and to a jump in the import of crude oil, automobiles, petroleum products, ferrous metals, agricultural machinery, and natural gas.

#### 18. Russia, Germany, Poland and Belarus Plan Joint Rail

On October 1, independent media related that rail operators in Russia, Germany, Poland and Belarus plan to form a joint venture called EurasiaRailLogistics, which will be registered in Moscow before the end of 2006. The joint venture will focus on rail shipments along European Transport Corridor II (Berlin-Warsaw-Minsk-Moscow-Nizhniy Novgorod), developing and selling logistical products, and offering cargo delivery services between Europe, Russia, and China. Russian Railroads will hold 40.1 percent in the venture, while 34.9 percent is to belong to Germany's Railion Deutschland AG, 15 percent to Poland's PKP, and 10 percent to Belarusian Railroads.

#### 19. Belarus Contemplates Exporting Electricity to Russia

On September 28, Belenergo Director Pavel Yakubovich announced that Belarus might export electricity to Russia. Although Belarus currently imports electricity from Russia and Ukraine, Yakubovich claimed that Russian officials raised the possibility of purchasing Belarusian electricity. He added that Belarus does not need to import electricity, but such imports benefit Belarus for technological and economic reasons. However, Belarusian Energy Ministry Department Head Vladimir Bobrov cautioned that future Belarusian imports and exports of electricity would depend on the creation of the Belarusian-Russian Union State. Bobrov also noted that the price and the amount of electricity imports and exports would be linked to the price of natural gas.

#### Domestic Economy

#### 10. Cabinet Increases Pay of Industrial Giants' CEOs

On September 23, independent media reported that the Belarusian Council of Ministers increased the multipliers used for calculating the pay of Belarus' top CEOs. Starting October 1, a six-to-one ratio between the pay of the CEO and the average pay at the enterprise will determine compensation to the directors general of the Atlant refrigerator plant, the Minsk Automobile Plant (MAZ), the Minsk Tractor Works, the Belarusian Automobile Factory (BelAZ) in Zhodino, the Gomelmash farm equipment factory in Gomel, the Belarusian Steel Works in Zhlobin, and the Minsk Engine Plant, and a multiplier of five to the directors general of the Mogilev Metallurgical Plant, the Mogilev Elevator Plant, and the Minsk Wheeled Tractor Plant.

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#### 11. Housing Construction Reportedly Rises 16.7 Percent

On September 23, the Belarusian Ministry of Statistics and Analysis claimed that finished new housing construction totaled 2,441,000 square meters during the first eight months of 2006, a 16.7 percent rise over the same period in 2005. Authorities officially spent public funds on the construction of 102,000 square meters, 15.5 percent less than during the same period of 2005, while enterprises used their own funds to construct 96,000 square meters, 12.4 percent less. Meanwhile, home construction financed by individuals and bank loans rose. Housing built in rural areas totaled 835,000 square meters, including 4,553 apartments and single-family houses. Rural housing construction totaled USD 191 million in fixed capital expenditures, 55.7 percent of the GOB's target. The GOB's Chernobyl relief fund financed 113 apartments totaling 3,500 square meters and accounted for 23.3 percent of the 2005 target. The government had projected that housing totaling 3,700,000 to 4,200,000 square meters would be ready for use this year, including 8,645 apartments and single-family houses in rural areas.

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Quote of the Week  
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[¶12](#). During a three-hour press conference on September 29, President Lukashenko enumerated the following reasons why Russia's Gazprom should not raise prices on Belarus:

"If tanks start rolling from there [the West] to Russia, we will be dying for Russia. We give food and drink to Russians that are kicked out of Lithuania like dogs if they are deported for some reason. The Chechens that were traveling to Poland via Brest were thrown out of the train cars. Hundreds of people were there. We received and accommodated them, gave them food and drink. They bore children there and named them after me."

Stewart